

NOTE: As provided in LFC policy, this report is intended only for use by the standing finance committees of the legislature. The Legislative Finance Committee does not assume responsibility for the accuracy of the information in this report when used for other purposes.

The most recent FIR version (in HTML & Adobe PDF formats) is available on the Legislative Website. The Adobe PDF version includes all attachments, whereas the HTML version does not. Previously issued FIRs and attachments may be obtained from the LFC in Suite 101 of the State Capitol Building North.

FISCAL IMPACT REPORT

SPONSOR: Gonzales DATE TYPED: 3/16/03 HB 339/aHTRC/aHAFC
 SHORT TITLE: Nontaxable Transaction Certificates SB _____
 _____ ANALYST: Smith

APPROPRIATION

| Appropriation Contained | | Estimated Additional Impact | | Recurring or Non-Rec | Fund Affected |
|-------------------------|------|-----------------------------|------|----------------------|---------------|
| FY03 | FY04 | FY03 | FY04 | | |
| | 0.0 | | | Non-Rec | General Fund |

(Parenthesis () Indicate Expenditure Decreases)

REVENUE

| Estimated Revenue | | Subsequent Years Impact | Recurring or Non-Rec | Fund Affected |
|-------------------|------|-------------------------|----------------------|---------------|
| FY03 | FY04 | | | |
| | NFI | | | |

(Parenthesis () Indicate Revenue Decreases)

SOURCES OF INFORMATION

Responses Received From

Taxation and Revenue Department

SUMMARY

Synopsis of HAFC Amendment

The House Appropriations and Finance Committee amendment strikes the appropriation. Analysts are not aware of funding in any appropriation act.

Synopsis of HTRC Amendment

The House Taxation and Revenue Committee Amendment what arguments the Department cannot assert during audits of sellers of tangible property.

Synopsis of Original Bill

House Bill 339 makes a variety of technical/ administrative changes to the statutes governing nontaxable transaction certificates.

FISCAL IMPLICATIONS

Senate Joint Memorial 72 (2001 regular session) directed the department to study possible improvements to the NTTC system, with an emphasis on utilizing available technology to modernize the program. Hence planning the transition to the new series of NTTCs has been a major ongoing project. In the short term, the changeover to the new system will cost an estimated \$500.0 in contract system work, overtime, printing and advertising. The appropriation contained in this proposal will cover these design and implementation costs. The improvements put into operation in the short term will result in favorable future administrative impacts for the department and taxpayers.

TECHNICAL ISSUES

TRD notes that in order for the amendments to Section 7-9-54 to have the intended effect, on page 7, line 20, "of the seller" should be inserted after the word "audit".

OTHER SUBSTANTIVE ISSUES

TRD makes the following observations:

- The "Blue Ribbon Tax Reform Commission" is scheduled to make its tax policy recommendations no later than September 1, 2003. The one-year extension of changeover date will allow the department time to incorporate relevant changes to the new system, thus helping to ensure a smooth transition.
- Currently, the department may refuse NTTCs to *delinquent* taxpayers. This proposal would allow the department to refuse NTTCs to *non-filers*. There is an important distinction between delinquent taxpayers and non-filers. In order for a taxpayer to be considered delinquent under the law, the department first must issue assessments for non-filed periods. If the taxpayer doesn't pay or file a protest within 30 days, he becomes delinquent until he either furnishes security, pays, or files a retroactive extension of time to file a protest and then follows up with a protest. Thus, it can take a number of months before a "non-filer" turns into a "delinquent taxpayer." Under current law, the department may have to issue NTTCs to taxpayers who have a string of non-filed periods.
- Under the new electronic system, annual reports filed pursuant to 7-9-43 will become obsolete. The sellers and lessors will be reporting the buyers and lessees to whom they have executed NTTCs each time they execute an NTTC through the electronic system. The system itself is being designed to function as a constantly updated report, showing all entities to whom sellers have executed NTTCs.

In accordance with the provisions of SJM 72, the department has made a concentrated effort to modernize the NTTC system. In addition to expertise from internal personnel, the department has incorporated input from the legislature and private industry to streamline the process and minimize compliance and enforcement burdens. Included among the major improvements are plans to employ an electronic issuance process, including online application and approval, and plans to consolidate the number and types of NTTC's issued from 15 certificate types into 6 main classifications. Overall, these changes are expected to expedite the application process and

improve compliance. This is accomplished by eliminating reliance on paper documentation thereby reducing the bureaucratic burden on taxpayers.

SS/prr:yr:njw